

**CHAPTER 13-03-24**  
**FIDELITY BOND AND INSURANCE COVERAGE OF CREDIT UNIONS**

Section

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**13-03-24-01. Fidelity bond required.** All credit unions are required to have a fidelity bond for credit union employees and officials and for other insurance coverage for losses such as theft, holdup, vandalism, and similar losses caused by persons outside the credit union.

**History:** Effective January 1, 2007.

**General Authority:** NDCC 6-01-04

**Law Implemented:** NDCC 6-06-06

**13-03-24-02. Annual review required.** The board of directors of each credit union must at least annually review its fidelity and other insurance coverage to ensure that it is adequate in relation to the potential risks facing the credit union and the minimum requirements set by the state credit union board.

**History:** Effective January 1, 2007.

**General Authority:** NDCC 6-01-04

**Law Implemented:** NDCC 6-06-06

**13-03-24-03. Acceptable bond forms.** At a minimum, the bond coverage must:

1. Be purchased in an individual policy from a company holding a certificate of authority from the secretary of the treasury.
2. Include fidelity bonds that cover fraud and dishonesty by all employees, directors, officers, supervisory committee members, and credit committee members.
3. Be a bond form that has been approved by the national credit union administration board. The following basic bonds have been approved:

Credit Union Form No.	Carrier
Credit Union Blanket Bond Standard Form 23 of the Surety Association of America (revised May 1950)	Various
Extended Form 23	USFG

Credit Union Form No.	Carrier
100	CUMIS (only approved for corporate credit union use)
200	CUMIS
300	CUMIS
400	CUMIS
AIG 23	National Union Fire Insurance Co. of Pittsburgh, PA
Reliance Preferred 23	Reliance Insurance Company
Form 31	ITT Hartford
Form 24 with Credit Union Endorsement	Continental (only approved for corporate credit union use)
Form 40325	St. Paul Fire and Marine
Form F2350	Fidelity & Deposit Co. of Maryland
Form 9933 (6/97)	Progressive Casualty Insurance Co.
Credit Union Blanket Bond (1/96)	Cooperativas de Seguros Multiples de Puerto Rico

4. Be approved by the national credit union administration board if not in the table above.

**History:** Effective January 1, 2007.

**General Authority:** NDCC 6-01-04

**Law Implemented:** NDCC 6-06-06

**13-03-24-04. Required minimum amount of coverage.**

1. The minimum required amount of fidelity bond coverage for any single loss is computed based upon a credit union's total assets.

Assets	Minimum Bond
\$0 to \$10,000	Coverage equal to the credit union's assets
\$10,001 to \$1,000,000	\$10,000 for each \$100,000 or fraction thereof
\$1,000,001 to \$50,000,000	\$100,000 plus \$50,000 for each million or fraction over \$1,000,000
\$50,000,001 to \$295,000,000	\$2,550,000 plus \$10,000 for each million or fraction thereof over \$50,000,000
Over \$295,000,000	\$5,000,000

2. This is the minimum coverage required, but a credit union's board of directors should purchase additional coverage when circumstances warrant, such as cash on hand or cash in transit.

3. While the above is the minimum amount of bond coverage, credit unions should maintain increased coverage equal to the greater of either of the following amounts within thirty days of discovery of the need for such increase:
  - a. The amount of the daily cash fund, i.e., daily cash plus anticipated daily money receipts on the credit union's premises; or
  - b. The total amount of the credit union's money in transit in any one shipment.
  - c. Increased coverage is not required pursuant to this subsection when the credit union temporarily increases its cash fund because of unusual events which cannot reasonably be expected to recur.
4. Any aggregate limit of liability provided for in a fidelity bond policy must be at least twice the single loss limit of liability. This requirement does not apply to optional insurance coverage.
5. Any proposal to reduce the required bond coverage must be approved in writing by the state credit union board at least twenty days in advance of the effective date of the reduction.

**History:** Effective January 1, 2007.

**General Authority:** NDCC 6-01-04

**Law Implemented:** NDCC 6-06-06

**13-03-24-05. Maximum allowable deductibles.**

1. The maximum amount of allowable deductibles is computed based on a credit union's asset size, as follows:

Assets	Maximum Deductible
\$0 - \$100,000	No deductibles allowed
\$100,001 - \$250,000	\$1,000
\$250,001 - \$1,000,000	\$2,000
Over \$1,000,000	\$2,000 plus 1/1000 of total assets up to a maximum deductible of \$200,000

2. The deductibles may apply to one or more insurance clauses in a policy. Any deductibles in excess of the above amounts must receive the prior written permission of the state credit union board.

3. A deductible may not exceed ten percent of a credit union's net worth.

**History:** Effective January 1, 2007.

**General Authority:** NDCC 6-01-04

**Law Implemented:** NDCC 6-06-06

**13-03-24-06. Additional coverage required.** The state credit union board may require additional coverage when the board determines that a credit union's current coverage is inadequate. The credit union must purchase this additional coverage within thirty days.

**History:** Effective January 1, 2007.

**General Authority:** NDCC 6-01-04

**Law Implemented:** NDCC 6-01-06